Creating Value in a Volatile World

Feedback Insights

SunTec®

www.suntecgroup.com

Table of Contents

Executive Summary

There has been unanimous agreement in recent years that the business environment worldwide has become more uncertain. Our survey provided a number of insights into what business leaders from banking, telecom and insurance industries see as the main causal factors of volatility in the last year, their transformation priorities in the next 18-24 months, and what they fear might hold their organizations back.

- The top drivers of volatility were environmental changes, supply chain issues, pace of technological changes and economic uncertainty. There is also agreement that workforce issues, implementing ESG, and generating sustainable growth in an environment characterised by reducing customer loyalty and increasing operational expenses will remain major challenges in the foreseeable future.
- Leaders are conscious of the need to experiment with new technologies to drive internal and external disruption; they also realize the need to create and articulate the societal impact created by their business.
- Creating an ecosystem and enabling platform-based business models, along with AI/ML based decision-making are seen as keys to business transformation. Across the sectors surveyed, leaders expect innovation, increased operational efficiency and penetrating new markets as key drivers of growth; M&A remains a strategic objective. There is also acknowledgement that the biggest roadblocks on their paths will be the inability to innovate rapidly, inadequate skills to identify and mitigate risks, and integrate data across the organization to make the data more reliable, accurate, accessible- and hence, useful.
- For each industry, priorities are shaped by distinct trends:
    - Banking: ESG, lifestyle banking, compliance-as-a-service
    - Telecom: Enterprise 5G, IoT, technology-as-a-service
    - Insurance: Insuretech partnerships, automated underwriting and claims management

We believe that the above insights will help you to look at your business in a larger context. Additionally, they will enable you to formulate strategies and action plans to enhance organizational resilience and embrace a less volatile future. We hope you enjoy reading the details in the sections that follow.

Introduction

Since early 2020, the world has faced a series of events that have directly contributed to an increase in economic volatility and uncertainty. Impact has varied by industry, geographic region and even size of the company. Factors like technology-led innovation, digitalization, shifting customer expectations, ESG/climate change, etc. play a role in shaping the emerging business landscape; the pandemic has certainly accelerated some of these large-scale shifts.

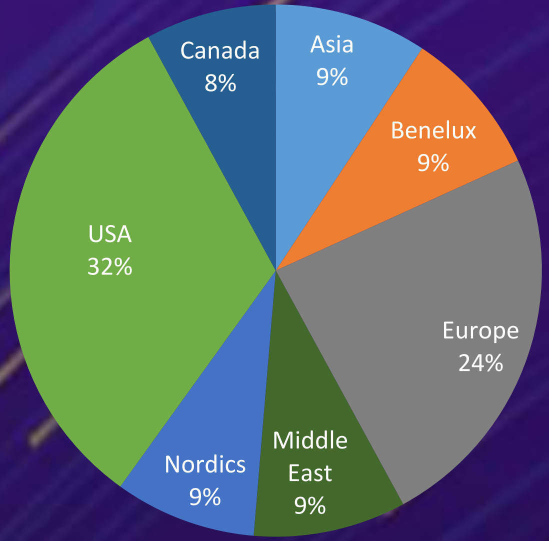
To get an objective, balanced view of what factors are shaping the future, their relative importance and what leaders see as their transformation priorities, we commissioned a survey across North America, Europe, Asia Pacific and the Middle East. More than 300 senior executives (VPs, SVPs, CxOs/Presidents) from banking, telecom and insurance companies shared their views on the following:

- Factors that caused business volatility (in the preceding 12 months)
- Business objectives for the next 18-24 months
- The organization's strengths (and what might hold them back)
- Industry-specific trends
- Transformation priorities

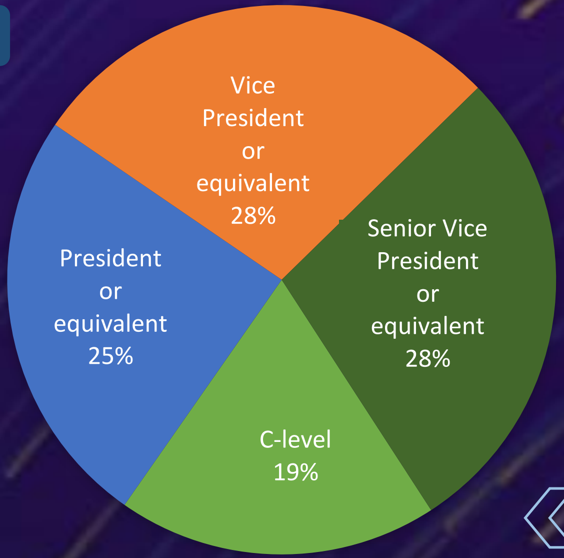
This report summarizes the findings of the study. We hope you find it informative and useful as you reflect on your organization's priorities and plan your journey ahead.

More than 300 leaders across banking, telecom, and insurance sectors were interviewed for this survey.

Respondents by region



Respondents by seniority



Insights into Business Volatility and Its Causes

Overall, 80% of respondents admitted that in the previous 12 months, their businesses were "considerably" or "somewhat" volatile. A higher proportion of smaller companies (defined for the purpose of this study as companies with annual revenues below US$10 B) reported volatility than those with revenues above US$10 B. Overall, insurance companies appear to have experienced greater volatility than companies in banking or telecom (which reported the lowest volatility). 61% of insurance companies reported "considerable volatility"; 42% of banking executives and 48% of telecom industry respondents reported that their business was "somewhat volatile."

Despite this volatility, an overwhelming majority of the respondents, 83% reported growth in revenue in the last 12 months. 75% of the companies reported 2%-15% revenue growth. 72% of companies whose revenues fell in the previous 12-month period reported a decline of between 3% and 5%.

The top six reasons for business volatility identified by our study were as follows:

- Supply chain issues
- Environmental changes
- Economic uncertainty
- Pace of technology changes
- Workforce issues
- Regulatory changes

Fig. 1 below shows the distribution of how respondents ranked the top four factors of volatility. The largest chunk of respondents, 51% and 42% respectively ranked "environmental changes" and "supply chain issues" as the top-ranked reasons for volatility. For 69% of the respondents, "economic uncertainty" ranked as the second most important reason for business volatility, while 52% identified "pace of technology change" as the third ranked factor.

"Technology is incredibly volatile at the moment. Many of you are either at the start or have done digital transformation. This will bring a fundamental change across tech architecture, data processes, and other business operations like product manufacturing, distribution, and pricing. And this can be hugely volatile or disruptive for a company."

Neal Cross,
Board Advisor, Corporate,
Social and Fintech Entrepreneur

Base : 302

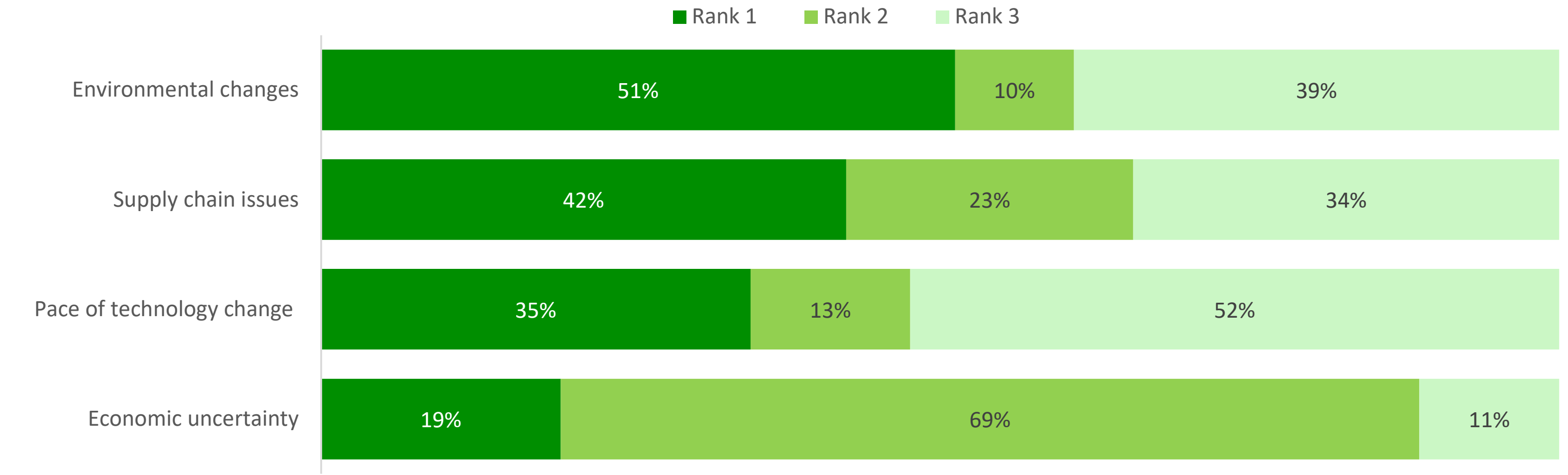


Fig. 1 Business volatility and its causes

"Workforce issues" were perceived to be the biggest source of volatility in Asia and the Middle East, followed by North America and Europe. Interestingly, this was identified as a more significant factor for bigger companies than the smaller ones. The pace of technology changes was the biggest for North American companies, while for companies in Europe, it was environmental changes.

Most of the big companies felt that volatility in their business was caused by "economic uncertainty", while the smaller ones attributed it more to "regulatory changes." Banks were most impacted by pace of technology changes, workforce issues and regulatory changes. For insurance companies, supply chain issues were the biggest factor, followed closely by economic uncertainty and regulatory changes. Telecom companies ranked regulatory changes, environmental changes as the top two reasons for volatility in their industry, with pace of technology being ranked third.

Although the pandemic or the Russia-Ukraine war were not amongst the top six reasons for volatility in business, it is important to remember that since the conclusion of the survey in mid-June 2022, global supply chain disruptions have worsened, and now extend to energy, food grains and other agricultural products. Consequently, inflation rates have climbed steeply across the world. There are more reports that highlight serious problems in China's real-estate sector and the domino effect these may have on that country's (and hence, global) banking sector. Customers have visibly cut back on spending, which in turn is affecting businesses across sectors. Experts estimate that the probability of a recession is highest in Europe/EU (50%+); in the USA, the probability is 40%+, while in the Asia Pacific, it is just under 25%. This situation may change spending priorities for individual companies, but we believe that leaders will recognize the imperatives and find the necessary resources to move ahead decisively.

It is in this context that we ask you to read the subsequent sections, which are more forward looking in nature.

Business Objectives for the Next 18 Months

Our study also sought to identify the top business objectives in the next 18 months. Overall, the top three objectives cited by the respondents are:

Innovating to create new products/offerings

Expanding in new geographies to drive growth

Improving operational efficiencies to increase profitability

Enhancing customer experience is a common objective across all respondents, although it is instructive that companies reporting “high volatility” have listed “strengthening cybersecurity” as a major objective. This was a top objective for North American businesses as well.

Here too, there were interesting insights based on size of company and industry. While larger companies are more focused on driving growth through cross-selling and restructuring current product portfolios, the smaller ones report greater emphasis on developing new offerings. Although “environmental changes” rank as one of the top four reasons for business volatility overall, the smaller companies do not seem to be prioritizing ESG. Despite the narrative around how globalization may be on its last legs, business leaders are seeing geographic expansion as a growth strategy. Just as important is the realization that personalization of customer experiences and cross-selling to existing customers are vital to growth.

There were other nuances that our study identified:

- 53% of respondents from insurance companies ranked innovation, geographic expansion and enhancing operational efficiency as their top business objectives for the next 18 months.
- For banks, creating new products was important, but so were cross-selling, enhancing customer experience and personalization and enhancing operational efficiency.
- Telecom companies ranked growth through new geographies, superior personalization for customers and enhancing operational efficiency as their top business objectives.
- Personalization was a key objective for companies that reported high volatility as well as low volatility.
- For companies with revenues above US$10 B, driving growth through cross-selling was a key objective, while those with revenues under US$10 B were more focused on innovation, personalization and operational efficiency as levers to drive growth.

.

53%

respondents from insurance companies ranked innovation as their top business objective

For companies with revenues above

US$10B

driving growth through cross-selling was a key objective

Top Challenges

The executives who participated in our study are just as aware that their success in achieving their business objectives depends on their ability to overcome the many challenges they face en route. It is interesting that of the 10 challenges presented, the top 4 stood out as a cluster, just as the other 6 also formed a tight cluster (based on the percentage of respondents who picked them). Fig. 2 illustrates this.

Base : 302

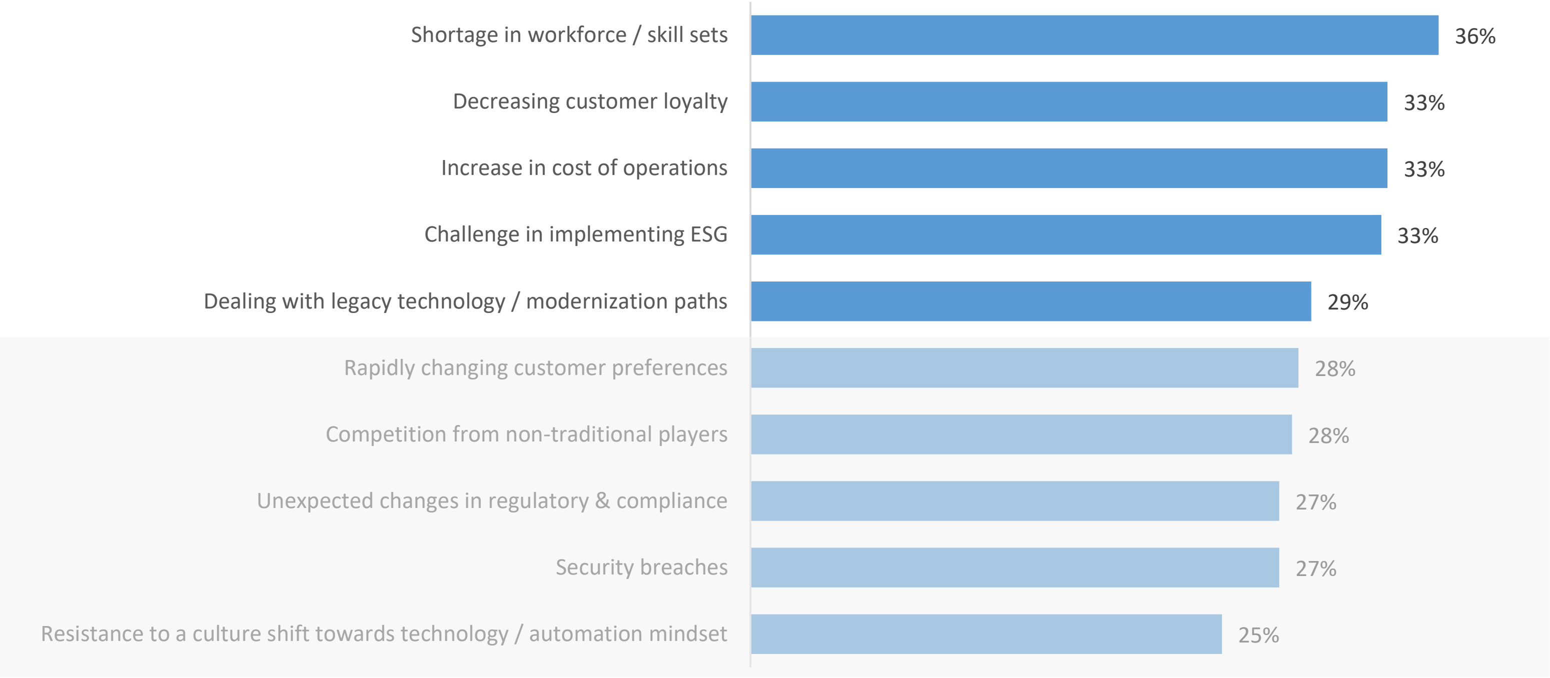


Fig. 2

For banking and insurance companies, shortage in workforce/skillsets was the top challenge. For telecom companies, increase in operational costs, rising instances of security breaches and complying with ESG expectations posed a bigger challenge than workforce issues. It appears that in many cases, workforce challenges have contributed to “high volatility”. For companies in Asia Pacific/Middle East, decreasing customer loyalty came out as a key challenge, on par with ESG implementation. In Europe, workforce challenges, dealing with legacy systems and resistance to automation/technology shift compounded the challenge of decreasing customer loyalty. Interestingly, the respondents from the Nordics seemed to be grappling with a different set of challenges.

The largest companies saw competition from non-traditional players and security breaches as challenges in addition to talent and workforce issues. And while not as many bigger companies seemed concerned about resistance to change (especially driven by automation and adoption of new technologies), 10% of the respondents called this out. Overall, the challenges that companies across the banking, telecom and insurance sectors face emanate from a mix of external and internal sources. While being weighed down by legacy systems, risk of security breaches and the resistance to change are perhaps more internal, a shortage in skills and changing customer preferences more likely have causes that are external to the organization. Competitor actions that are giving customers better choices and superior experiences are another example of an externally-originating challenge that is of paramount importance.

“Most banks haven’t fully leveraged the data that resides within their organizations to intelligently understand the stage at which their customers are at and tailor solutions accordingly. Interestingly, banks still hold an equity with the customer because of the ‘trust’ factor that customers place in them. If banks can cut across data silos, offer intelligent packages that are contextual to the customer, and further build the layer of an ecosystem with other partners, it will undoubtedly be a winning and compelling proposition.

Peter Yorke,
SVP- Marketing, SunTec

What’s Needed to Achieve the Business Objectives and How Well-Equipped Are Companies?

“If banks do not have their shop in order, both from a governance perspective and from a regulatory dimension of risk, they will face a double whammy, because on one side they will encounter regulatory pressures and on the other they will have to increase their spend.”

Madhur Jain,
Executive VP- Solution Consulting,
SunTec

Knowing what companies see as their top business objectives in the next 18-24 months and what major challenges they face in this journey are useful insights. However, it is just as important for leaders to be aware of what might hold them back from overcoming the challenges and achieving their business objectives. After all, knowledge is useless unless it enables goal-directed actions.

Here's what we found when we asked executives participating in our study for their views on what they saw as the most important assets/capabilities in their organizations:

Base : 302

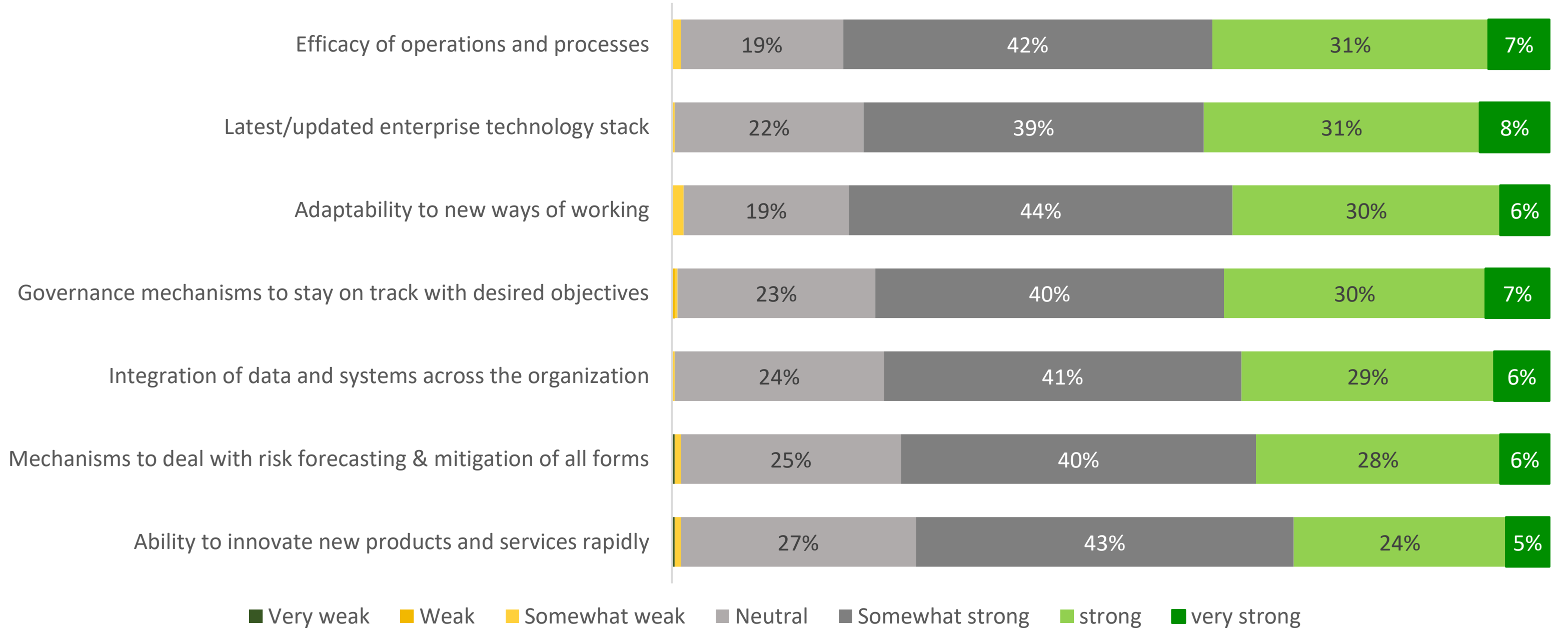


Fig. 3

Respondents seemed generally confident that their businesses did have efficient processes and operations and modern technology stacks to support them. However, they also pointed to two clear areas that need improvement:

- **Ability to innovate new products and services; and**
- **Capabilities to forecast and mitigate risks.**

These are both critical requirements for banks and insurance companies, given their competitive environments globally. It also ties in with even non-traditional competitors to pose serious threats to banks. Here too, our study found significant variations by region, industry and size of company. Risk mitigation was a stronger factor in North America than in Europe. Companies that faced high volatility rank latest/updated technology stacks as being of the utmost importance. As expected, larger businesses seem to have more robust and efficient operations, as compared to smaller businesses. For the latter, efficacy of operations and processes has been identified as "highly important" to achieve their business objectives.

The ability to adapt to new ways of working and integration of systems/data across the organization were also flagged as areas of weaknesses, only 6% respondents described their organizations as being "very strong" in these two areas. Relative to banks and insurance companies, telecom companies said they were stronger at forecasting and mitigating risk, but weaker at integration of systems and data across the organization. Both these two areas are important because of digitalization as well as the emergence of hybrid working models that are likely to become the new norm and not remain an exception.

Strategic Imperatives

In our work with clients, we have observed a growing trend towards platform-based ecosystems. A number of businesses come together on a common digital platform to offer a larger set of products and services to customers. For the companies that join, an ecosystem is a smart and cost-effective way to gain access to a larger number of prospects and enhance customer-centricity. Through shared analysis of data around customer behavior, transactions, demographics and preferences, ecosystems are able to offer more relevant bundles at attractive prices/discounts. Increasingly, banks are looking to build such ecosystems; banking-as-a-service is creating a new revenue stream for banks by monetizing data that otherwise lies under-utilized. We were therefore not surprised that the participants in our study expressed similar views when asked about the areas of “strategic importance” to their business.

As may be seen from Fig. 4, the top three areas of strategic importance that emerged are:

- **Building partnerships across ecosystems;**
- **Leveraging emerging trends (such as super apps, open platforms, personalization etc.); and**
- **Strengthening brand position/value.**

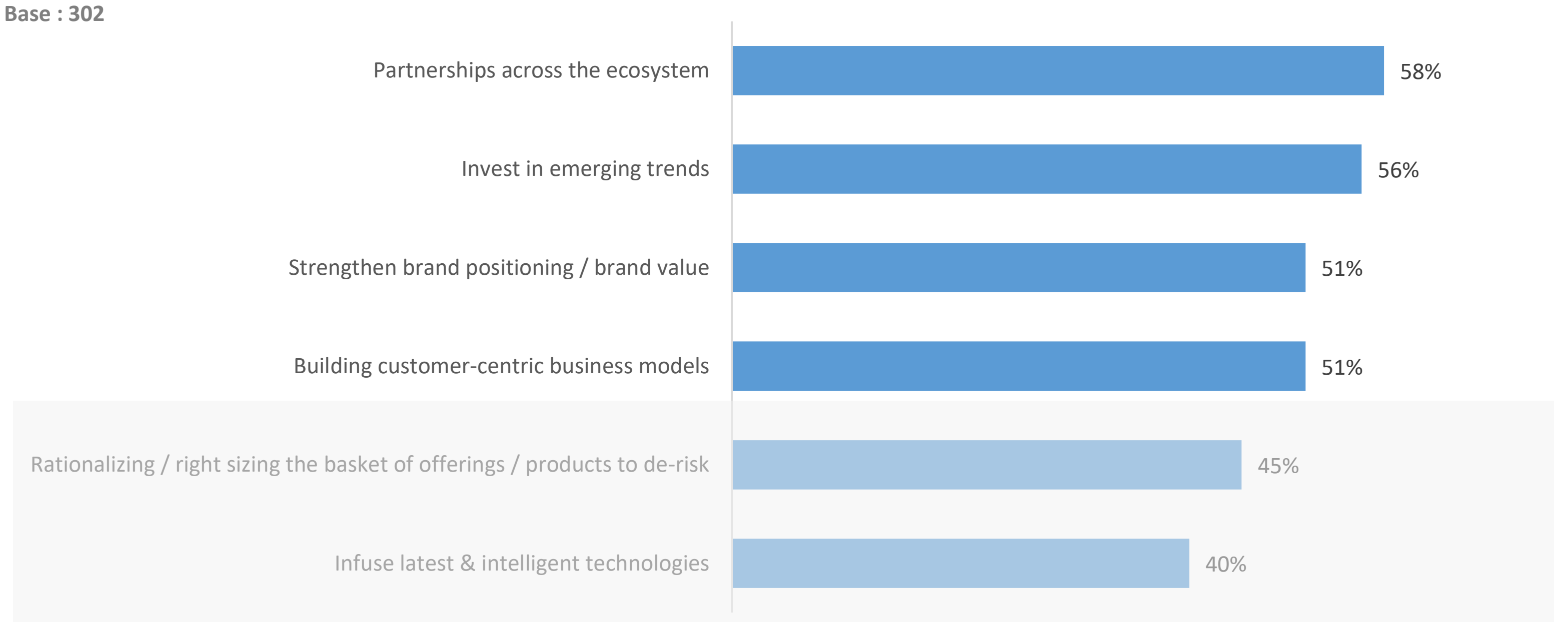


Fig. 4

> *“Banks should be thinking about data mining to create value-added services, or to even enable personalization at the point of sale, because this will be a goldmine going forward.”*
>
> ***Likhit Wagle,***
> *Managing Partner, Financial Services, IBM Consulting EMEA*

The highest proportion of respondents ranked partnerships across ecosystem as their top strategic priority. This was also the top priority for banks as well as companies that reported high business volatility. But as with earlier themes, here too variations based on region, size of company and industry were visible. Partnerships were the top priority for companies from Asia Pacific/ Middle East and North America. Investing in emerging trends was the top priority for insurance and telecom companies, as also for European respondents (partnerships ranked second). Building customer-centric business models is the second ranked strategic imperative for insurance and telecom companies. Building customer-centric business models is strategically more important for smaller companies than it is for the bigger players. Companies that reported high business volatility see partnerships as particularly important strategic priorities because they can help spread costs and risks.

Our study also found that business leaders from banking, telecom and insurance companies see investments in innovating new offerings, delivering higher levels of personalization, and technology-driven decision making as critical to drive business growth and reduce volatility. But as we saw earlier, business leaders are not very confident of their current capabilities to innovate new offerings. This is a key gap that leaders must plug quickly. It is something that will need the right technologies given that the process of distilling customer needs and wants from the massive amounts of data needs to occur at speed and scale, and with data pulled from multiple legacy systems.

A Positive Disruption Mindset is Vital to Drive Growth

Overall, the respondents agreed that a mindset of creating "positive disruption" is needed to overcome challenges, capitalize on opportunities and create new growth possibilities. But there were differences in what could drive positive disruption. The main levers that our study uncovered were the following:

Creating societal impact through business (this also has linkages with enhancing brand positioning and addressing changing customer needs given that Millennials and members of the Gen Z generation are more conscious of social and environmental issues).

Challenging status quo was important for banks, North American businesses and those that experienced high volatility.

Experimenting with emerging technologies was a key disruptive mindset for insurance companies and European businesses and for companies with revenue less than US$10 B.

Telecom companies saw partnerships and ecosystem play as a means to create positive disruption.

Fig. 5 shows that there were several other ways of achieving positive disruption, such as using AI, revisiting fundamentals and inspiring employees with bold decision-making. However, all of them ranked slightly below the four levers listed above. But it is interesting that there isn't much variability amongst them.

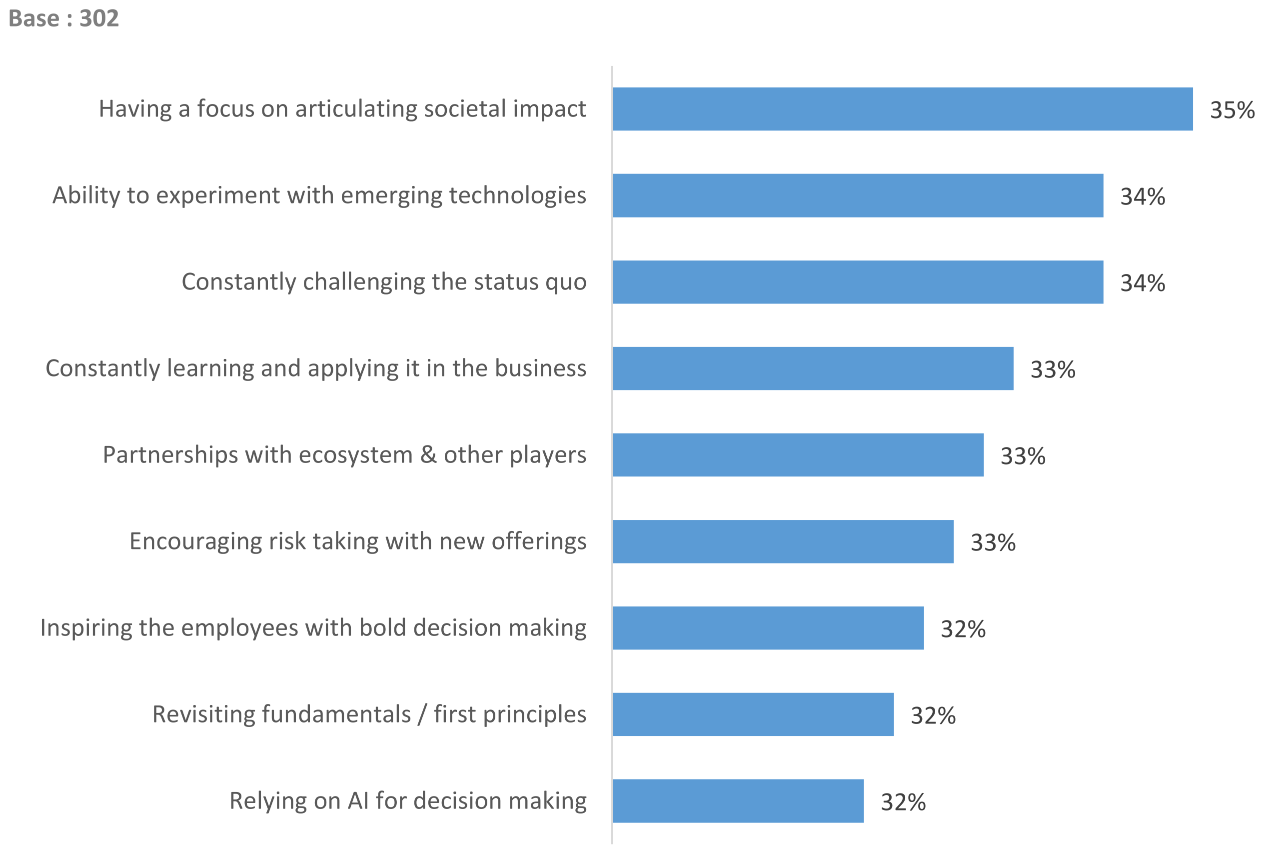


Fig. 5

Think of the list of "mindsets" on the left side of Fig. 5 as a toolkit. Depending on the current state of your business and the business environment in which it operates, leaders must learn to use the most suitable tools from the kit. Do not think only like a hammer, or else, everything will appear to be a nail! It would thus not be unreasonable to argue that each of the mindsets will play a role for every business- only the timing and relative utility will vary. Therefore, as you plan your organization's journey ahead, do consider which of these tools is most relevant now.

Transformation Priorities

Base : 302

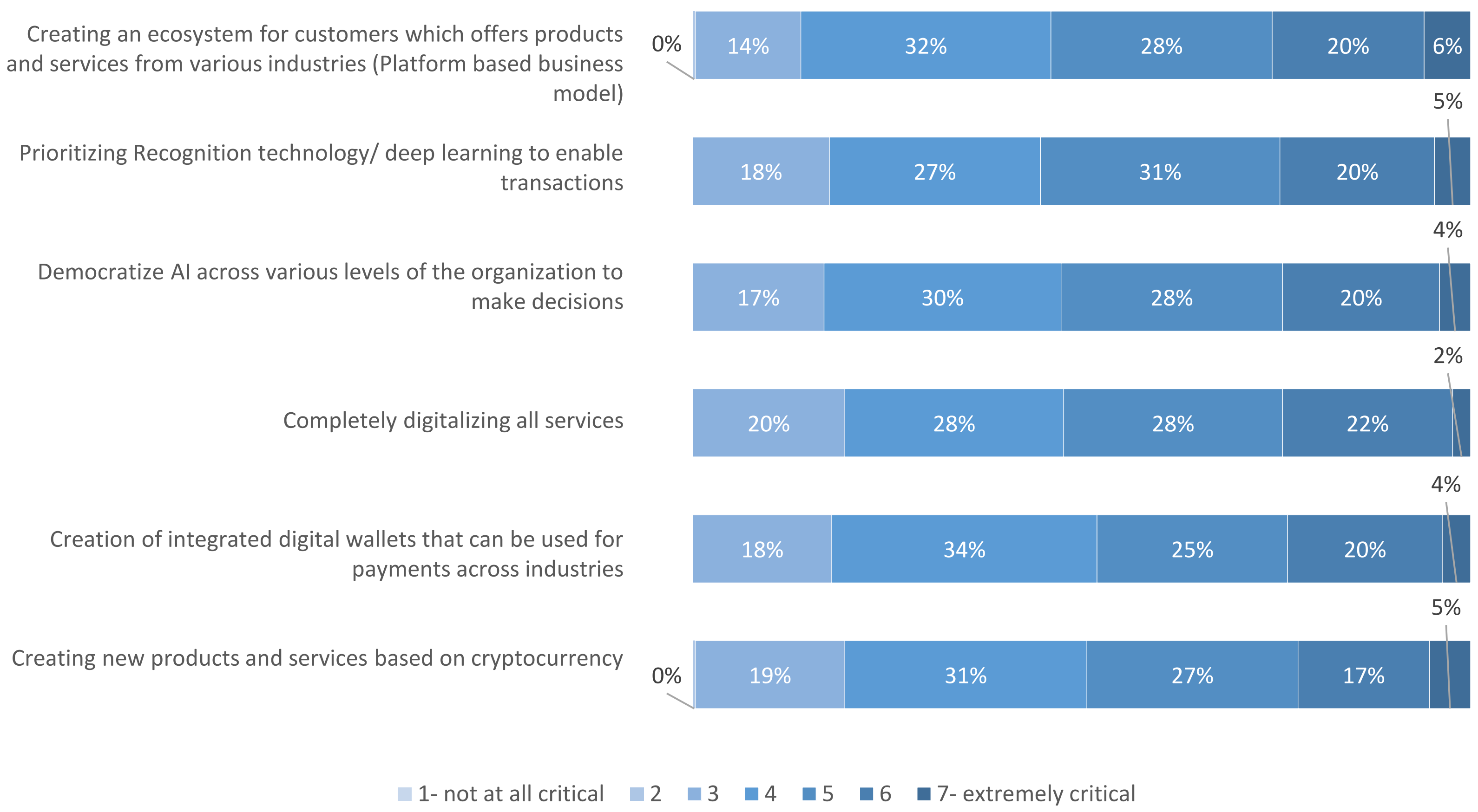


Fig. 6

Each of the above sections clearly reiterates the need for some kind of transformation to overcome challenges and harness opportunities. For some firms, this means building new business models (e.g., ecosystem-based partnerships), while for others, it's about embracing new technologies and other innovations of the digital economy, such as cryptoassets.

We thought it would be useful to get the participating leaders to identify what they believe will be the top drivers of business transformation in the years ahead. Fig.6 reveals the respondents' opinions:

> *“Employees want to be associated with companies that are making the world a better place. Having a strategic view on sustainability is going to be important. This will have an impact on long-term performance, and if employees can’t be retained, that can make organizations less competitive compared to their peers.”*

Ben Caldecott,
Founding Director- Oxford Sustainable Finance Programme

1. Adopting platform-based business models emerged as extremely critical factors in transforming business. Platform based business models was top priority for most respondents from the banking and insurance industries. However, for telecom, democratizing AI across the organization was seen to play a larger role in transforming their business.
2. Prioritizing recognition technology (including AI/ML) for decision-making and transactions was a close second.
3. Smaller firms see democratization of AI as the most critical driver of business transformation.
4. Businesses in the Nordics are big on democratizing AI, digitalization of services and creating new offerings based on cryptocurrency.
5. However, firms that report high business volatility have contrasting opinions on digitalization of services and creation of cryptocurrency-based offerings.
6. Our study helped identify industry-specific trends that are seen as worthy of investment:

    - Banking: prioritizing ESG management, lifestyle banking and compliance-as-a-service.
    - Telecom: IoT, Technology as a service, Enterprise Private 5G.
    - Insurance: automated underwriting and claims, partnerships with insuretech players and migration to cloud based technologies.

Conclusion

Many of the findings of our study are somewhat intuitive and aligned with our experiences (and yours too). For example, it is clear that the higher levels of business disruption and volatility in the past year were caused by supply chain issues, economic uncertainty and pace of technology change. It is just as obvious that innovation will be key to drive growth, and businesses will need to evolve new, customer-centric models. This will need status quo to be challenged and infusion of new and emerging digital technologies.

But what is perhaps of greater interest are findings that are counter-intuitive or unexpected. We list those below, just in case you missed them earlier:

- Only 40% of the respondents reported high volatility in their business!
- ESG considerations are seen to have a big impact on volatility, as will the ability to manage workforce/skillset challenges and adopting to new work models.
- Expansion into new geographies will remain a growth driver, despite the narrative that globalization is slowing down.
- Building ecosystems and platform-based business models will be a strategic imperative.
- Addressing decreasing customer loyalty and complying with ESG rules and governance norms will be critical to growth.
- Articulating how your business delivers positive societal impact will be key to building a stronger brand and catering to new age customers.

If you'd like more information about the study or would like us to organize a briefing specifically for your leaders, please write to us on marketing@suntecgroup.com.

About SunTec

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 130 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India. For more information, please visit us at www.suntecgroup.com or email us at marketing@suntecgroup.com